

## Message Text

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AMEMBASSY VIENNA PRIORITY  
AMEMBASSY MADRID PRIORITY  
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TAGS: ENRG

SUBJECT: CHAIRMAN'S NOTE FOR SLT MEETING APRIL 21-22  
ON REDUCED DEPENDENCE OBJECTIVES

1. ADDRESSEE POSTS ARE REQUESTED TO PASS NOTE IN PARA 2 TO HOST GOVERNMENT OFFICIALS RESPONSIBLE FOR SLT MATTERS. OECD PASS TO SECRETARIAT.

2. DRAFT SLT REPORT ON REDUCED DEPENDENCE OBJECTIVES.

AT ITS LAST MEETING, THE GOVERNING BOARD AGREED THAT THERE IS A PROBABILITY OF A SERIOUS IMBALANCE BETWEEN ENERGY DEMAND AND SUPPLY BY 1985 AND THAT PARTICIPATING COUNTRIES ARE FACED WITH A SERIOUS ENERGY POLICY PROBLEM.

IN LIGHT OF THIS SITUATION, THE GOVERNING BOARD REQUESTED THE SLT:

1. TO PREPARE A REPORT FORMULATING THE GROUP OBJECTIVE FOR 1985,
2. TO EXAMINE THE ELEMENTS FOR ASSESSING EQUIVALENCE OF EFFORT UNDERTAKEN BY DIFFERENT PARTICIPATING COUNTRIES,
3. TO PROVIDE FURTHER ANALYSIS OF THE ISSUES RAISED BY THE SLT REVIEW AND THE SUGGESTED LINES OF FUTURE ACTION,
4. TO STUDY POSSIBLE NATIONAL AND COOPERATIVE MEASURES TO OVERCOME THE CONSTRAINTS IDENTIFIED DURING THE SLT LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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REVIEW.

A. GROUP OBJECTIVE FOR 1985

THE BASIC PURPOSE OF AN IEA GROUP OBJECTIVE FOR REDUCING DEPENDENCE ON IMPORTED OIL IS TO CONTRIBUTE TO THE ATTAINMENT OF A MORE ACCEPTABLE BALANCE IN THE WORLD ENERGY MARKET. SUCH A BALANCE IS ESSENTIAL TO ENSURE THAT PARTICIPATING COUNTRIES CAN ACHIEVE THEIR ECONOMIC AND POLITICAL OBJECTIVES. TO BE CREDIBLE IN TERMS OF ITS IMPACT ON OIL PRODUCING NATIONS AND OTHER COUNTRIES, THE IEA OBJECTIVE MUST BE STATED AS A REASONABLE AND REALISTIC LEVEL OF OIL IMPORTS BY IEA COUNTRIES AND MUST BE SUPPORTED BY NATIONAL ENERGY POLICIES THAT MAKE ITS ATTAINMENT POSSIBLE. THIS REQUIRES THAT IEA MEMBERS, IN AGREEING ON A GROUP OBJECTIVE, UNDERTAKE POLITICAL COMMITMENTS TO ESTABLISH THEIR NATIONAL ENERGY POLICIES WITHIN A FRAMEWORK THAT ENSURES THAT THROUGH THEIR COMMON EFFORTS THEY WILL BE ABLE TO REALIZE THE GROUP OBJECTIVE.

IN LIGHT OF THESE FACTORS, THE SLT BELIEVES AN IEA GROUP OBJECTIVE CAN BEST BE FORMULATED BY ESTABLISHING

IN QUANTITATIVE TERMS, THE LEVEL OF OIL IMPORTS WHICH THE IEA CONSIDERS A MAXIMUM FOR THE GROUP IN 1985. TO ESTABLISH WHAT THE OBJECTIVE SHOULD BE, THE SLT HAS ANALYZED THE POTENTIAL 11 MMBD SHORTFALL IDENTIFIED DURING THE REVIEW OF MEMBER COUNTRY ENERGY PROGRAMS TO DETERMINE WHAT PORTIONS COULD BE RECOVERED THROUGH THE ADOPTION AND IMPLEMENTATION OF MORE VIGOROUS ENERGY POLICIES BY MEMBER GOVERNMENTS.

THE SLT CONCLUDED THAT A GROUP OIL IMPORT OBJECTIVE OF 25 TO 26 MMBD BY 1985 WAS ACHIEVABLE, REALISTIC, AND CREDIBLE. POTENTIAL SAVINGS BY SECTOR ARE LISTED BELOW:

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1) DEMAND - CONSERVATION AND MORE RATIONAL USE OF ENERGY IS THE MOST PROMISING AREA IN WHICH IMPROVEMENT CAN BE REALIZED.

ONE ALTERNATIVE WOULD BE TO HOLD THE AVERAGE GROWTH RATE IN ENERGY CONSUMPTION BY THE IEA TO A SPECIFIC LEVEL.

IN ITS REVIEW OF MEMBER COUNTRY ENERGY PROGRAMS, THE SLT ASSUMED AN ANNUAL GROWTH RATE FOR TOTAL PRIMARY ENERGY (TPE) FOR IEA COUNTRIES OF 4.8 PERCENT A YEAR OVER THE PERIOD 1975-1985, RESULTING IN IEA ENERGY DEMAND OF ABOUT 100 MMBDOE (5020 MTOE) IN 1985. MEMBER COUNTRIES POSTULATED A REDUCTION IN THIS FIGURE TO 4.2 PERCENT RESULTING IN IEA ENERGY DEMAND OF ABOUT 94 MMBDOE (4700 MTOE).

IF THE ANNUAL TPE GROWTH RATE WERE HELD TO 3.5 PERCENT ANNUALLY, TOTAL IEA ENERGY DEMAND IN 1985 WOULD BE 90 MMBDOE (4500 MTOE). THIS WOULD RESULT IN SAVINGS 5-6 MMBD OF OIL IMPORTS BASED ON EXISTING FUEL CONSUMPTION PATTERNS. THIS OR LOWER LEVELS OF GROWTH APPEARS ATTAINABLE AND ALREADY HAS BEEN ADOPTED AS A NATIONAL GOAL BY CERTAIN IEA COUNTRIES.

AN ALTERNATIVE APPROACH WOULD INVOLVE ACCEPTANCE OF THE 1985 OBJECTIVE FOR ENERGY CONSUMPTION RECOMMENDED BY THE CONSERVATION SUBGROUP (IEA/SLT(76)82). THIS GOAL OF 90 MMBD OF ENERGY CONSUMPTION BY 1985 IS BASED ON A REDUCTION FOR THE IEA AS A WHOLE OF ABOUT 15 PERCENT IN TPE PER UNIT O- GDP COMPARED WITH 1973. BASED ON EXISTING PATTERNS OF FUEL CONSUMPTION, THIS APPROACH WOULD RESULT IN APPROXIMATELY SIMILAR SAVINGS IN OIL IMPORTS.

TO ACHIEVE THE SAVINGS OUTLINED ABOVE, IEA COUNTRIES SHOULD AGREE TO ADOPT CONSERVATION POLICIES WITHIN THE

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ROAD FRAMEWORK SET OUT IN THE SLT REPORT ON LINES OF FUTURE ACTION, RECOGNIZING THAT COUNTRIES WILL GIVE DIFFERENT EMPHASIS TO SUCH POLICIES TO MEET OTHER ECONOMIC OBJECTIVES:

1) TO GIVE ENERGY CONSERVATION MUCH HIGHER PRIORITY AND RESOURCES THAN NOW GIVEN BY MOST COUNTRIES;

2) TO ADOPT AND IMPLEMENT A BASIC SET OF CONSERVATION POLICIES, INCLUDING SPECIFIC MEASURES IN INDUSTRIAL, RESIDENTIAL/COMMERCIAL, TRANSPORTATION, AND ENERGY SECTORS ALONG THE LINES DESCRIBED IN ANNEX A OF IEA/GB (77)13;

3) TO ALLOW ENERGY PRICES TO REACH WORLD LEVELS AS RAPIDLY AS POSSIBLE.

2. SUPPLY - THE SLT IDENTIFIED POTENTIAL SHORTFALLS IN SEVERAL SUPPLY SECTORS: NUCLEAR POWER, OIL AND GAS PRODUCTION AND GAS IMPORTS.

A. NUCLEAR - THE SLT ESTIMATED THAT IEA NUCLEAR POWERED ELECTRICITY WOULD ACCOUNT FOR ABOUT 6.4 MMBDOE (20 MTOE) BY 1985, A SHORTFALL OF ABOUT 2.2 MMBDOE (110 MTOE) COMPARED WITH GOVERNMENT PROJECTIONS. A RECENT REVIEW IN THE NUCLEAR SUBGROUP CONFIRMED THESE FINDINGS. GIVEN THE LONG LEAD TIMES NECESSARY FOR APPROVAL, SITING, CONSTRUCTION AND OPERATION OF NUCLEAR PLANTS, THIS PROJECTION APPEARS REALISTIC AND PROBABLY CANNOT BE SUBSTANTIALLY IMPROVED BY POLICY ACTIONS BY 1985.

NOT ALL THE PROJECTED SHORTFALLS WILL BE DIRECTLY TRANSLATED INTO INCREASED OIL IMPORTS. IN ADDITION, THE PROJECTED RATE OF GROWTH IN DEMAND FOR ELECTRICITY MAY FALL SHORT OF PROJECTIONS. MOST, IF NOT ALL OF THIS SHORTFALL COULD BE OFFSET THROUGH VIGOROUS POLICIES

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INCLUDING THE INCREASED USE OF OTHER FUELS, PRIMARILY COAL, AND MORE STRINGENT CONSERVATION MEASURES SUCH AS LOAD MANAGEMENT. THIS COULD RESULT IN SAVINGS OF APPROXIMATELY 1.5 MMBD OF OIL IMPORTS, ASSUMING THAT AS MUCH AS SEVENTY FIVE PERCENT OF THE SHORTFALL WERE RECOVERED, ESPECIALLY IF COUNTRIES AGREE 1) TO COOPERATE IN SOLVING THE PROBLEMS ASSOCIATED WITH THE NUCLEAR FUEL CYCLE; 2) THAT ALL NEW BASE LOAD POWER STATIONS SHOULD

BE NON-OIL FIRED; AND 3) TO COOPERATE FULLY TO OVERCOME EXISTING CONSTRAINTS WHICH IMPEDE COAL UTILIZATION.

OIL PRODUCTI - PRODUCTION LEVELS FORECAST BY MEMBER COUNTRIES, MINUS THE POSSIBLE SHORTFALL, WERE ESTIMATED AT ABOUT 16.3 MMBD (1815 MTOE) BY 1985. BY FACILITATING THE ACCELERATED DEVELOPMENT OF OIL IN OFF-SHORE AND FRONTIER AREAS WITH REASONABLE ENVIRONMENTAL SAFEGUARDS, MEMBER COUNTRIES COULD REDUCE OIL IMPORTS BY AT LEAST 2.5 MMBD BY 1985.

GAS IMPORTS - IEA COUNTRIES EXPECT NATURAL GAS IMPORTS TO INCREASE FROM 8 MTOE IN 1975 TO 112 MTOE IN 1985. THE SLT CONSIDERED THAT APPROXIMATELY 50 MTOE OF LNG IMPORTS ARE AT RISK. THIS WOULD RESULT IN INCREASED IEA OIL IMPORTS OF 1 MMBD BY 1985. APPROXIMATELY 50 PERCENT COULD BE SAVED BY (A) DEVELOPING THE GAS INFRASTRUCTURE NECESSARY TO MEET PRIORITY CONSUMER REQUIREMENTS AND (B) INCREASING PRODUCTION AND USE OF STEAM COAL ESPECIALLY FOR ELECTRICITY GENERATION.

THESE POTENTIAL SAVINGS AMOUNT TO APPROXIMATELY 10MMBD WHICH WOULD RESULT IN AN IMPORT LEVEL OF 25-26 MMBD

OF IMPORTED OIL BY 1985, AN ACHIEVABLE IEA OBJECTIVE.

IN ORDER TO MEET THIS GROUP OBJECTIVE WE SHOULD ADOPT A SET OF GENERAL RECOMMENDATIONS FOR ENERGY POLICY LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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ACTIONS ALONG THE LINES OF POLICY ACTIONS SET FORTH IN THE SLT REPORT. THESE RECOMMENDATIONS, ALTHOUGH OF A GENERAL NATURE, SHOULD BE PHRASED IN SUCH A SPECIFIC WAY SO THAT PARTICIPATING COUNTRIES WOULD CONSIDER THEM AS RELEVANT ELEMENTS OF THEIR NATIONAL ENERGY POLICY AND NOT FIND IT TOO DIFFICULT TO TRANSLATE THEM INTO CONCRETE POLICY SOURCES.

B. EXAMINATION OF THE ELEMENTS FOR ASSESSING EQUIVALENCE OF EFFORTS

(THE DANISH DELEGATION HAS AGREED TO PROVIDE A PAPER SETTING FORTH A CONCEPTUAL FRAMEWORK FOR THIS SUBJECT WHICH LINKS THE EQUIVALENCE OF EFFORTS ASSESSMENT TO THE GROUP OBJECTIVE. WE WILL ALSO CONSIDER THE PAPER SUBMITTED BY THE ITALIAN DELEGATION SUGGESTING ELEMENTS FOR ASSESSING EQUIVALENCE OF EFFORTS IN CERTAIN AREAS AS WELL AS THE PAPER FROM THE CONSERVATION SUB-GROUP ON THIS SUBJECT. BASED ON OUR DISCUSSION, WE CAN CONSIDER WHAT INFORMATION SHOULD BE INCLUDED IN THE SLT REPORT).

C) ANALYSIS OF PRINCIPLE ISSUES RAISED UNDER LINES  
OF FUTURE ACTION

THE SLT RECOGNIZED FOUR MAJOR ELEMENTS FOR REDUCING  
DEPENDENCE ON IMPORTED OIL OVER THE NEXT DECADE: 1)  
1) CONSERVATION, 2) COAL PRODUCTION AND UTILIZATION,  
3) NUCLEAR POWER, AND 4) GAS INFRASTRUCTURE. AOF  
THESE ELEMENTS ARE INCLUDED IN THE LINES OF FUTURE ACTION,  
WHICH WERE GENERALLY AGREED UPON AT THE MARCH 5-16 GB  
MEETING.

THE SLT HAS BEGUN ASSESSING POSSIBILITIES FOR  
COORDINATED POLICIES IN THE FOLLOWING AREAS:

CONSERVATION AREAS TARGETED FOR PRIORITY ATTENTION  
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INCLUDE:

1) INDUSTRIAL CONSERVATION - ABOUT A THIRD OF TOTAL  
PRIMARY ENERGY USED IS CONSUMED BY THE INDUSTRIAL SECTOR  
IN THE IEA. A WIDE RANGE OF ENERGY EFFICIENCIES EXIST  
AMONG MEMBER COUNTRIES, WHICH CAN OFTEN BE ATTRIBUTED  
TO THE DEGREE OF ADOPTION OF MORE EFFICIENT PROCESSES OR  
METHODS OF PRODUCTION USE. A MEETING OF EXPERTS ON THIS  
SUBJECT WILL BE HELD IN EARLY MAY. THE SLT WILL CONSIDER  
A REPORT ON THIS MEETING AND POSSIBLE POLICY RECOMMEND-  
ATIONS.

2) DISTRICT HEATING AND THE COMBINED PRODUCTION OF HEAT  
AND POWER - THE USE OF DISTRICT HEATING AND COMBINED  
PRODUCTION CAN INCREASE THE OVERALL EFFICIENCY IN FUEL  
USE TO 80-90 PERCENT COMPARED TO LESS THAN 40 PERCENT IN  
CONDENSING POWER STATIONS. A MEETING OF EXPERTS ON THIS  
SUBJECT WAS HELD IN LATE MARCH. THE FINDINGS OF THIS  
GROUP WILL BE CONSIDERED BY THE CONSERVATION SUBGROUP AT  
ITS NEXT MEETING.

3) BUILDING CODES AND RETROFITTING - REQUIRING SUFFICIENT  
INSULATION IN NEW AND EXISTING BUILDINGS IS COST  
EFFECTIVE. ENERGY SAVINGS OF UP TO 24 PERCENT HAVE BEEN  
ACHIEVED IN SOME COUNTRIES. AN EXPERTS MEETING ON THIS  
SUBJECT IS SCHEDULED FOR LATE MAY. THE REPORT OF THIS  
MEETING WILL BE CONSIDERED FOR POSSIBLE POLICY  
RECOMMENDATIONS.

ACCELERATED DEVELOPMENT AREAS TARGETED FOR PRIORITY  
ATTENTION INCLUDE:

1) COAL UTILIZATION - THE POTENTIAL FOR INCREASED COAL  
UTILIZATION TO REPLACE OIL IS SIGNIFICANT. INCREASED

UTILIZATION OF STEAM COAL FOR ELECTRICITY GENERATION  
WITHIN THE IEA IS ONE OF THE PRINCIPAL MEANS FOR REDUCING  
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OIL IMPORT DEPENDENCE IN THE MID-1980'S. COUNTRY  
BALANCES SUBMITTED TO THE SLT REFLECT THAT SOME 4.4 MMBD  
OF OIL WILL GO INTO ELECTRICAL GENERATION BY 1985, SOME  
17 PERCENT OF IEA NET OIL IMPORTS. THE SHORTFALLS  
PROJECTED IN OTHER SECTORS COULD AMOUNT TO 11 MMBD SOME  
OF WHICH WOULD TRANSLATE INTO ADDITIONAL OIL IMPORTS.  
THE ACCELERATED DEVELOPMENT SUBGROUP HAS BEGUN AN ASSES-  
MENT OF THE POTENTIAL FOR SUBSTANTIAL INCREASES IN STEAM  
COAL UTILIZATION WITHIN THE IEA ON A PRIORITY BASIS AND  
WILL REPORT ON ITS RESULTS BY JUNE 30.

## 2) GAS AND GAS INFRASTRUCTURE

ANOTHER AREA OF POTENTIAL SHORTFALL IDENTIFIED IN  
THE SLT REVIEW WAS THE AVAILABILITY AND UTILIZATION OF  
NATURAL GAS. AN EXPERTS MEETING TO DISCUSS THIS ISSUE  
WILL BE HELD ON APRIL 28-29 WHICH WILL MAKE A PRELIMINARY  
ANALYSIS OF THE SUPPLY AND COST OF NATURAL GAS AND ITS  
FUTURE DEVELOPMENT IN ORDER TO IDENTIFY ISSUES WHICH  
MIGHT REQUIRE POLICY DECISIONS.

## 3) NUCLEAR

NUCLEAR POWER IS A MAJOR ALTERNATIVE TO INCREASED

OIL IMPORTS. THE POSSIBILITY OF A SUBSTANTIAL SHORTFALL  
IN THE AVAILABILITY OF NUCLEAR ENERGY AS A SOURCE OF  
SUPPLY WAS HIGHLIGHTED IN THE SLT REVIEW. ALL DELEGATIONS  
RECOGNIZE THE POLITICAL SENSITIVITIES INVOLVED IN THIS  
SECTOR, AND SOME COUNTRIES, NOTABLY THE US, ARE NOW  
UNDERTAKING AN OVERALL POLICY REVIEW OF THE NUCLEAR  
FUEL CYCLE.

THE NUCLEAR SUBGROUP HAS RECENTLY COMPLETED AN  
INTENSIVE REVIEW OF MEMBER COUNTRIES' NUCLEAR ENERGY  
PROGRAMS. THE SLT PLANS TO EXAMINE THE CONCLUSIONS OF  
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THIS REPORT TO HELP DETERMINE AREAS FOR FURTHER STUDY  
LEADING TO POSSIBLE COOPERATIVE ENDEAVORS.

D) POSSIBLE NATIONAL AND COOPERATIVE MEASURES TO OVER-  
COME CONSTRAINTS

THE SLT HAS CONSIDERED POSSIBLE NATIONAL AND  
COOPERATIVE MEASURES FOR OVERCOMING CONSTRAINTS FOR BETTER  
UTILIZING ENERGY AND INCREASING PRODUCTION FROM  
ALTERNATIVE SOURCES.

IN CONSERVATION, WE HAVE ADOPTED AN INDICATIVE LIST  
OF RECOMMENDED CONSERVATION MEASURES WHICH WAS PUBLISHED  
AS THE OECD DOCUMENT ENERGY CONSERVATION IN THE INTER-  
NATIONAL ENERGY AGENCY 1976 REVIEW. ALL MEMBER COUNTRIES  
HAVE ADOPTED SOME OF THE MEASURES ON THE LIST. COUNTRY  
REVIEWS PERMIT THE MONITORING OF MEMBER COUNTRIES  
PROGRESS IN ADOPTING AND IMPLEMENTING ALL THE MEASURES.  
STUDIES IN INDUSTRIAL CONSERVATION, DISTRICT HEATING, AND  
THE COMBINED PRODUCTION OF HEAT AND POWER, AND BUILDING  
CODES AND RETROFITTING MAY ALSO RESULT IN POLICY  
RECOMMENDATIONS AND POSSIBLE COOPERATIVE PROJECTS.

IN ACCELERATED DEVELOPMENT, GUIDING PRINCIPLES ARE  
INCLUDED IN CHAPTER III OF THE LONG-TERM PROGRAM WHICH  
ARE DESIGNED TO FACILITATE THE FORMATION OF COOPERATIVE  
PROJECTS FOR INCREASING PRODUCTION FROM ALTERNATIVE  
SOURCES. THERE ARE A LARGE NUMBER OF ONGOING COOPERATIVE  
PROGRAMS IN ENERGY AMONG IEA COUNTRIES IN OIL, GAS, COAL,  
AND NUCLEAR THOUGH NOT UNDER THE GUIDING PRINCIPLES.  
SOME HIGH-COST ENERGY PROJECTS HAVE BEEN IDENTIFIED IN THE  
IEA FOR CONSIDERATION UNDER THE GUIDING PRINCIPLES BUT  
HAVE NOT EVIDENCED INTEREST TO DATE FROM OTHER MEMBER  
COUNTRIES. RECENTLY INITIATED STUDIES IN COAL UTILIZATION

AND GAS AND GAS INFRASTRUCTURE COULD LEAD TO POSSIBLE  
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COOPERATIVE PROJECTS.  
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FOLLOWING REPEAT STATE 84797 ACTION ANKARA ATHENS BERN BONN  
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A. NUCLEAR - THE SLT ESTIMATED THAT IEA NUCLEAR POWERED ELECTRICITY WOULD ACCOUNT FOR ABOUT 6.4 MMBDOE (20 MTOE) BY 1985, A SHORTFALL OF ABOUT 2.2 MMBDOE (110 MTOE) COMPARED WITH GOVERNMENT PROJECTIONS. A RECENT REVIEW IN THE NUCLEAR SUBGROUP CONFIRMED THESE FINDINGS. GIVEN THE LONG LEAD TIMES NECESSARY FOR APPROVAL, SITING, CONSTRUCTION AND OPERATION OF NUCLEAR

PLANTS, THIS PROJECTION APPEARS REALISTIC AND PROBABLY CANNOT BE SUBSTANTIALLY IMPROVED BY POLICY ACTIONS BY 1985.

NOT ALL THE PROJECTED SHORTFALLS WILL BE DIRECTLY TRANS- LATED INTO INCREASED OIL IMPORTS. IN ADDITION, THE PROJECTED RATE OF GROWTH IN DEMAND FOR ELECTRICITY MAY FALL SHORT OF PROJECTIONS. MOST, IF NOT ALL OF THIS SHORTFALL COULD BE OFFSET THROUGH VIGOROUS POLICIES INCLUDING THE INCREASED USE OF OTHER FUELS, PRIMARILY COAL, AND MORE STRINGENT CONSERVATION MEASURES SUCH AS LOAD MANAGEMENT. THIS COULD RESULT IN SAVINGS OF APPROXIMATELY 1.5 MMBD OF OIL IMPORTS, ASSUMING THAT AS MUCH AS SEVENTY FIVE PERCENT OF THE SHORTFALL WERE RECOVERED, ESPECIALLY IF COUNTRIES AGREE 1) TO COOPERATE IN SOLVING THE PROBLEMS ASSOCIATED WITH THE NUCLEAR FUEL CYCLE; 2) THAT ALL NEW BASE LOAD POWER STATIONS SHOULD BE NON-OIL FIRED; AND 3) TO COOPERATE FULLY TO OVERCOME EXISTING CONSTRAINTS WHICH IMPEDE COAL UTILIZATION.

OIL PRODUCTI - PRODUCTION LEVELS FORECAST BY MEMBER COUNTRIES, MINUS THE POSSIBLE SHORTFALL, WERE ESTIMATED AT ABOUT 16.3 MMBD (1815 MTOE) BY 1985. BY FACILITATING THE ACCELERATED DEVELOPMENT OF OIL IN OFF- SHORE AND FRONTIER AREAS WITH REASONABLE ENVIRONMENTAL SAFEGUARDS, MEMBER COUNTRIES COULD REDUCE OIL IMPORTS BY AT LEAST 2.5 MMBD BY 1985.

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GAS IMPORTS - IEA COUNTRIES EXPECT NATURAL GAS IMPORTS TO INCREASE FROM 8 MTOE IN 1975 TO 112 MTOE IN 1985. THE SLT CONSIDERED THAT APPROXIMATELY 50 MTOE OF LNG IMPORTS ARE AT RISK. THIS WOULD RESULT IN INCREASED IEA OIL IMPORTS OF 1 MMBD BY 1985. APPROXIMATELY 50 PERCENT COULD BE SAVED BY (A) DEVELOPING THE GAS IN- FRASTRUCTURE NECESSARY TO MEET PRIORITY CONSUMER REQUIRE- MENTS AND (B) INCREASING PRODUCTION AND USE OF STEAM COAL ESPECIALLY FOR ELECTRICITY GENERATION.

THESE POTENTIAL SAVINGS AMOUNT TO APPROXIMATELY 10MMBD WHICH WOULD RESULT IN AN INPORT LEVEL OF 25-26 MMBD

OF IMPORTED OIL BY 1985, AN ACHIEVABLE IEA OBJECTIVE.

IN ORDER TO MEET THIS GROUP OBJECTIVE WE SHOULD ADOPT A SET OF GENERAL RECOMMENDATIONS FOR ENERGY POLICY ACTIONS ALONG THE LINES OF POLICY ACTIONS SET FORTH IN THE SLT REPORT. THESE RECOMMENDATIONS, ALTHOUGH OF A GENERAL NATURE, SHOULD BE PHRASED IN SUCH A SPECIFIC WAY SO THAT PARTICIPATING COUNTRIES WOULD CONSIDER THEM AS RELEVANT ELEMENTS OF THEIR NATIONAL ENERGY POLICY AND

NOT FIND IT TOO DIFFICULT TO TRANSLATE THEM INTO CONCRETE  
POLICY SOURCES.

B. EXAMINATION OF THE ELEMENTS FOR ASSESSING  
EQUIVALENCE OF EFFORTS

(THE DANISH DELEGATION HAS AGREED TO PROVIDE A PAPER  
SETTING FORTH A CONCEPTUAL FRAMEWORK FOR THIS SUBJECT  
WHICH LINKS THE EQUIVALENCE OF EFFORTS ASSESSMENT TO THE  
GROUP OBJECTIVE. WE WILL ALSO CONSIDER THE PAPER SUB-  
MITTED BY THE ITALIAN DELEGATION SUGGESTING ELEMENTS FOR  
ASSESSING EQUIVALENCE OF EFFORTS IN CERTAIN AREAS AS WELL  
AS THE PAPER FROM THE CONSERVATION SUB-GROUP ON THIS  
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SUBJECT. BASED ON OUR DISCUSSION, WE CAN CONSIDER WHAT  
INFORMATION SHOULD BE INCLUDED IN THE SLT REPORT).

C) ANALYSIS OF PRINCIPLE ISSUES RAISED UNDER LINES  
OF FUTURE ACTION

THE SLT RECOGNIZED FOUR MAJOR ELEMENTS FOR REDUCING  
DEPENDENCE ON IMPORTED OIL OVER THE NEXT DECADE: 1)  
1) CONSERVATION, 2) COAL PRODUCTION AND UTILIZATION,  
3) NUCLEAR POWER, AND 4) GAS INFRASTRUCTURE. AOF  
THESE ELEMENTS ARE INCLUDED IN THE LINES OF FUTURE ACTION,  
WHICH WERE GENERALLY AGREED UPON AT THE MARCH 5-16 GB  
MEETING.

THE SLT HAS BEGUN ASSESSING POSSIBILITIES FOR  
COORDINATED POLICIES IN THE FOLLOWING AREAS:

CONSERVATION AREAS TARGETED FOR PRIORITY ATTENTION  
INCLUDE:

1) INDUSTRIAL CONSERVATION - ABOUT A THIRD OF TOTAL  
PRIMARY ENERGY USED IS CONSUMED BY THE INDUSTRIAL SECTOR  
IN THE IEA. A WIDE RANGE OF ENERGY EFFICIENCIES EXIST  
AMONG MEMBER COUNTRIES, WHICH CAN OFTEN BE ATTRIBUTED  
TO THE DEGREE OF ADOPTION OF MORE EFFICIENT PROCESSES OR  
METHODS OF PRODUCTION USE. A MEETING OF EXPERTS ON THIS  
SUBJECT WILL BE HELD IN EARLY MAY. THE SLT WILL CONSIDER  
A REPORT ON THIS MEETING AND POSSIBLE POLICY RECOMMEND-  
ATIONS.

2) DISTRICT HEATING AND THE COMBINED PRODUCTION OF HEAT  
AND POWER - THE USE OF DISTRICT HEATING AND COMBINED  
PRODUCTION CAN INCREASE THE OVERALL EFFICIENCY IN FUEL  
USE TO 80-90 PERCENT COMPARED TO LESS THAN 40 PERCENT IN  
CONDENSING POWER STATIONS. A MEETING OF EXPERTS ON THIS  
SUBJECT WAS HELD IN LATE MARCH. THE FINDINGS OF THIS

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GROUP WILL BE CONSIDERED BY THE CONSERVATION SUBGROUP AT ITS NEXT MEETING.

3) BUILDING CODES AND RETROFITTING - REQUIRING SUFFICIENT INSULATION IN NEW AND EXISTING BUILDINGS IS COST EFFECTIVE. ENERGY SAVINGS OF UP TO 24 PERCENT HAVE BEEN ACHIEVED IN SOME COUNTRIES. AN EXPERTS MEETING ON THIS SUBJECT IS SCHEDULED FOR LATE MAY. THE REPORT OF THIS MEETING WILL BE CONSIDERED FOR POSSIBLE POLICY RECOMMENDATIONS.

ACCELERATED DEVELOPMENT AREAS TARGETED FOR PRIORITY ATTENTION INCLUDE:

1) COAL UTILIZATION - THE POTENTIAL FOR INCREASED COAL UTILIZATION TO REPLACE OIL IS SIGNIFICANT. INCREASED UTILIZATION OF STEAM COAL FOR ELECTRICITY GENERATION WITHIN THE IEA IS ONE OF THE PRINCIPAL MEANS FOR REDUCING OIL IMPORT DEPENDENCE IN THE MID-1980'S. COUNTRY BALANCES SUBMITTED TO THE SLT REFLECT THAT SOME 4.4 MMBD OF OIL WILL GO INTO ELECTRICAL GENERATION BY 1985, SOME 17 PERCENT OF IEA NET OIL IMPORTS. THE SHORTFALLS PROJECTED IN OTHER SECTORS COULD AMOUNT TO 11 MMBD SOME OF WHICH WOULD TRANSLATE INTO ADDITIONAL OIL IMPORTS. THE ACCELERATED DEVELOPMENT SUBGROUP HAS BEGUN AN ASSESSMENT OF THE POTENTIAL FOR SUBSTANTIAL INCREASES IN STEAM COAL UTILIZATION WITHIN THE IEA ON A PRIORITY BASIS AND WILL REPORT ON ITS RESULTS BY JUNE 30.

2) GAS AND GAS INFRASTRUCTURE

ANOTHER AREA OF POTENTIAL SHORTFALL IDENTIFIED IN THE SLT REVIEW WAS THE AVAILABILITY AND UTILIZATION OF NATURAL GAS. AN EXPERTS MEETING TO DISCUSS THIS ISSUE WILL BE HELD ON APRIL 28-29 WHICH WILL MAKE A PRELIMINARY ANALYSIS OF THE SUPPLY AND COST OF NATURAL GAS AND ITS  
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FUTURE DEVELOPMENT IN ORDER TO IDENTIFY ISSUES WHICH MIGHT REQUIRE POLICY DECISIONS.

3) NUCLEAR

NUCLEAR POWER IS A MAJOR ALTERNATIVE TO INCREASED

OIL IMPORTS. THE POSSIBILITY OF A SUBSTANTIAL SHORTFALL

IN THE AVAILABILITY OF NUCLEAR ENERGY AS A SOURCE OF SUPPLY WAS HIGHLIGHTED IN THE SLT REVIEW. ALL DELEGATIONS RECOGNIZE THE POLITICAL SENSITIVITIES INVOLVED IN THIS SECTOR, AND SOME COUNTRIES, NOTABLY THE US, ARE NOW UNDERTAKING AN OVERALL POLICY REVIEW OF THE NUCLEAR FUEL CYCLE.

THE NUCLEAR SUBGROUP HAS RECENTLY COMPLETED AN INTENSIVE REVIEW OF MEMBER COUNTRIES' NUCLEAR ENERGY PROGRAMS. THE SLT PLANS TO EXAMINE THE CONCLUSIONS OF THIS REPORT TO HELP DETERMINE AREAS FOR FURTHER STUDY LEADING TO POSSIBLE COOPERATIVE ENDEAVORS.

D) POSSIBLE NATIONAL AND COOPERATIVE MEASURES TO OVERCOME CONSTRAINTS

THE SLT HAS CONSIDERED POSSIBLE NATIONAL AND COOPERATIVE MEASURES FOR OVERCOMING CONSTRAINTS FOR BETTER UTILIZING ENERGY AND INCREASING PRODUCTION FROM ALTERNATIVE SOURCES.

IN CONSERVATION, WE HAVE ADOPTED AN INDICATIVE LIST OF RECOMMENDED CONSERVATION MEASURES WHICH WAS PUBLISHED AS THE OECD DOCUMENT ENERGY CONSERVATION IN THE INTERNATIONAL ENERGY AGENCY 1976 REVIEW. ALL MEMBER COUNTRIES HAVE ADOPTED SOME OF THE MEASURES ON THE LIST. COUNTRY REVIEWS PERMIT THE MONITORING OF MEMBER COUNTRIES PROGRESS IN ADOPTING AND IMPLEMENTING ALL THE MEASURES.  
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STUDIES IN INDUSTRIAL CONSERVATION, DISTRICT HEATING, AND THE COMBINED PRODUCTION OF HEAT AND POWER, AND BUILDING CODES AND RETROFITTING MAY ALSO RESULT IN POLICY RECOMMENDATIONS AND POSSIBLE COOPERATIVE PROJECTS.

IN ACCELERATED DEVELOPMENT, GUIDING PRINCIPLES ARE INCLUDED IN CHAPTER III OF THE LONG-TERM PROGRAM WHICH ARE DESIGNED TO FACILITATE THE FORMATION OF COOPERATIVE PROJECTS FOR INCREASING PRODUCTION FROM ALTERNATIVE SOURCES. THERE ARE A LARGE NUMBER OF ONGOING COOPERATIVE PROGRAMS IN ENERGY AMONG IEA COUNTRIES IN OIL, GAS, COAL, AND NUCLEAR THOUGH NOT UNDER THE GUIDING PRINCIPLES. SOME HIGH-COST ENERGY PROJECTS HAVE BEEN IDENTIFIED IN THE IEA FOR CONSIDERATION UNDER THE GUIDING PRINCIPLES BUT HAVE NOT EVIDENCED INTEREST TO DATE FROM OTHER MEMBER COUNTRIES. RECENTLY INITIATED STUDIES IN COAL UTILIZATION

AND GAS AND GAS INFRASTRUCTURE COULD LEAD TO POSSIBLE COOPERATIVE PROJECTS. VANCE UNQTE  
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